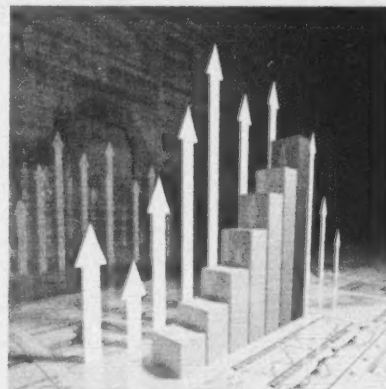


A presentation series from Statistics Canada about the economy, environment and society

An overview of recent macroeconomic developments in Canada

by Cyndi Bloskie and Guy Gellatly

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Standard symbols

The following symbols are used in Statistics Canada publications:

- | | |
|----------------|--|
| . | not available for any reference period |
| .. | not available for a specific reference period |
| ... | not applicable |
| 0 | true zero or a value rounded to zero |
| 0 [±] | value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded |
| ^p | preliminary |
| ^r | revised |
| x | suppressed to meet the confidentiality requirements of the <i>Statistics Act</i> |
| E | use with caution |
| F | too unreliable to be published |
| * | significantly different from reference category ($p < 0.05$) |

Organization

Objective — Highlight recent macroeconomic developments, focusing on:

- Trends in the post-recession period (2010 to current)
- Key developments through the first half of 2014

Major themes

- (1) Economic growth and labour market conditions
- (2) Financial conditions in the household sector
- (3) International dimensions of Canada's economy

Major issues in the Canadian economy, post-recession

(1) Pace and composition of GDP growth (2010-11 vs. 2012-13)

- ☐ Consumer-led growth and household sector leverage
- ☐ Business investment spending (2010-11 vs. 2012-14)
- ☐ Rebalancing of growth from domestic demand to trade

(2) Pace of employment creation (2010-12 vs. 2013-14)

(3) Lower inflation (2013) and stable borrowing costs; impact on household sector and real estate market

(4) Exchange rate movements (2013-14)

Key developments through the second quarter of 2014

(1) Changes in the pace and composition of economic growth

- ☐ Real GDP accelerates (3.1% annualized) on broad-based gains in Q2
- ☐ Drivers: exports, household spending, residential investment
- ☐ Contributions to growth widespread across major industrial sectors
- ☐ Steady gains through the spring across many of the major output indicators (merchandise trade, manufacturing sales, wholesale and retail sales, building permits, housing starts)

(2) Employment growth remains subdued during the first half of 2014

- ☐ Little growth in the private sector; two-thirds of total employment growth in the six months to June (+53,000) in self-employed
- ☐ Decline in employment rates during the first half of 2014



Key developments through the second quarter of 2014 (cont'd)

(3) Consumer prices accelerate through the second quarter but remain in Bank of Canada's target range

- ☐ Drivers: food, shelter and transportation
- ☐ Annual inflation moderates during the summer months

(4) Exchange rate movements

- ☐ Canadian dollar depreciates during Q1, rebounds through Q2 but remains significantly weaker than pre/post recession
- ☐ Non-energy exports advance steadily during the first half of 2014
- ☐ Auto exports advance on higher volumes, led export growth in Q2



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Topic 1

Economic growth and labour market conditions



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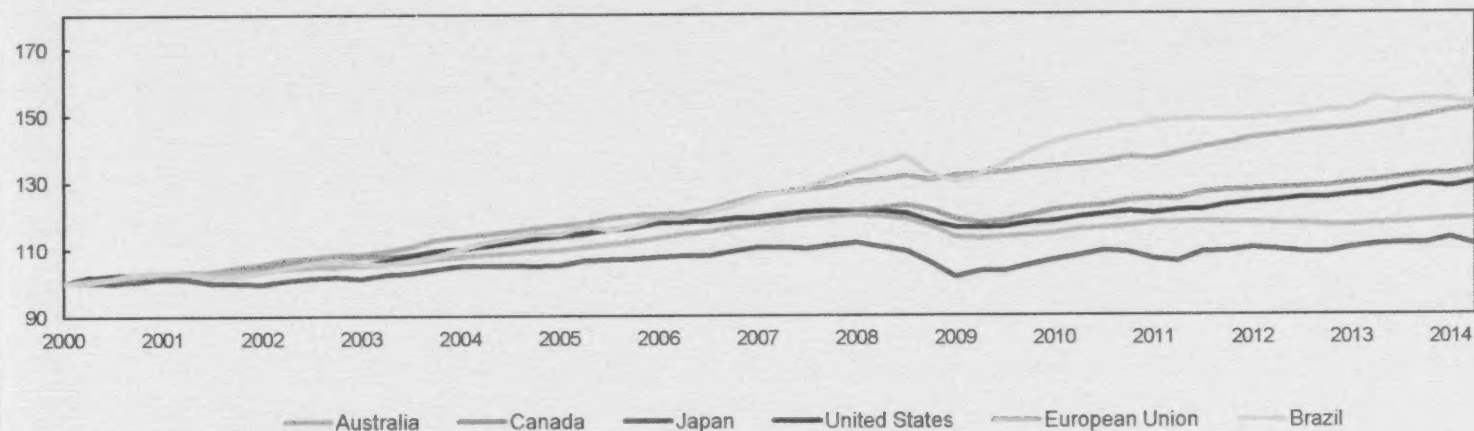
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Canada's economic growth in a comparative context

Question: How does economic growth in Canada compare with growth in other major economies?

Real gross domestic product (GDP)

index (Q1 2000=100)



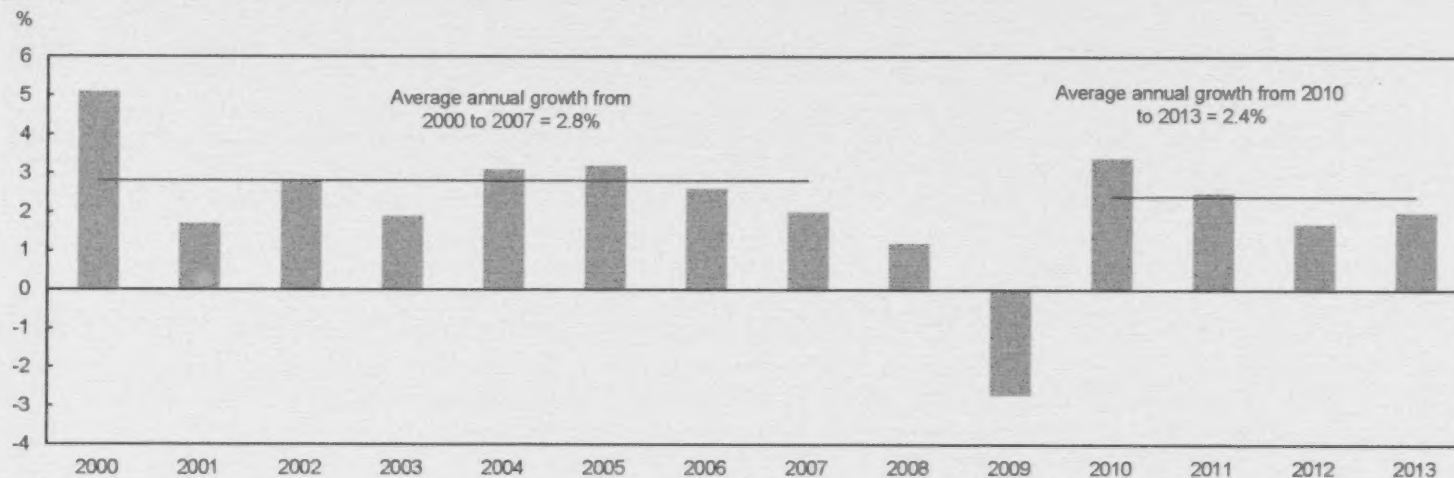
Sources: Statistics Canada CANSIM table 380-0064, OECD.



Real GDP, annual growth rate

Question: How rapidly has the economy expanded in the post-2000 period, and subsequent to the 2008-09 recession?

GDP, average annual growth



Source: Statistics Canada, CANSIM table 380-0064.

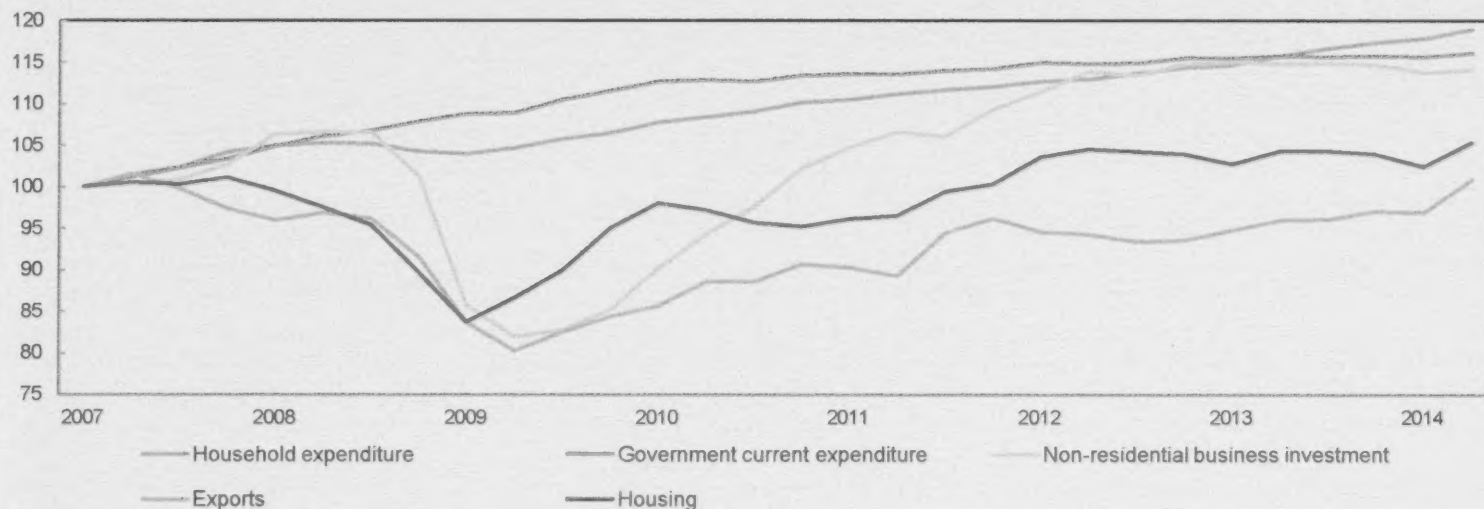


Real GDP, expenditure components

Question: What types of final expenditures have supported economic growth in Canada? And how have the pace and composition of growth changed more recently?

GDP, selected aggregates

index (Q1 2007=100)



Source: Statistics Canada, CANSIM table 380-0064.

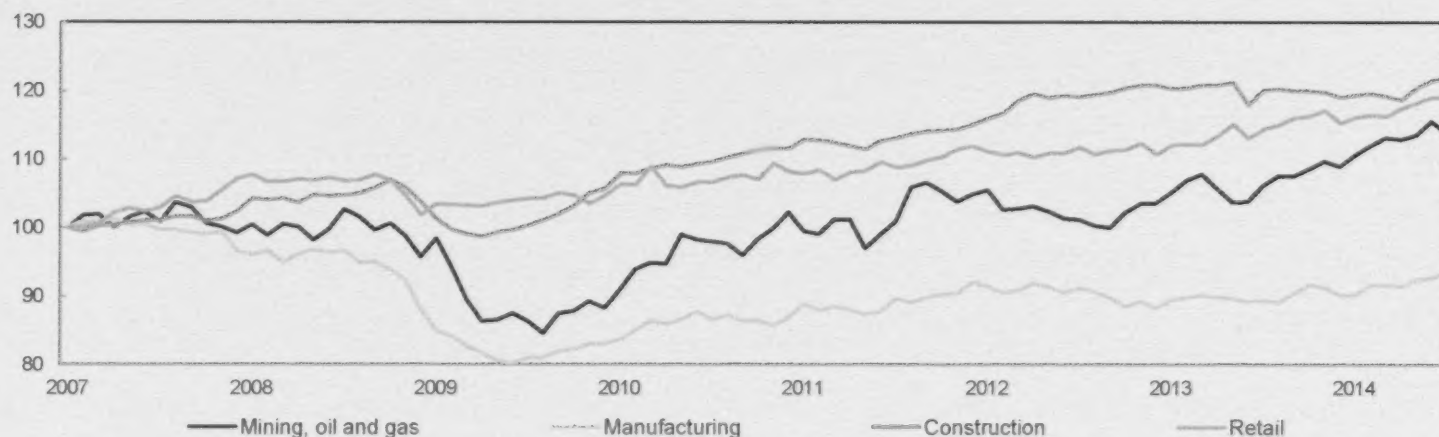


Real GDP, by industry

Question: How have different industrial sectors fared during the recession and the recovery? And how broad based were gains during the spring of 2014?

GDP, by selected industries

index (January 2007=100)



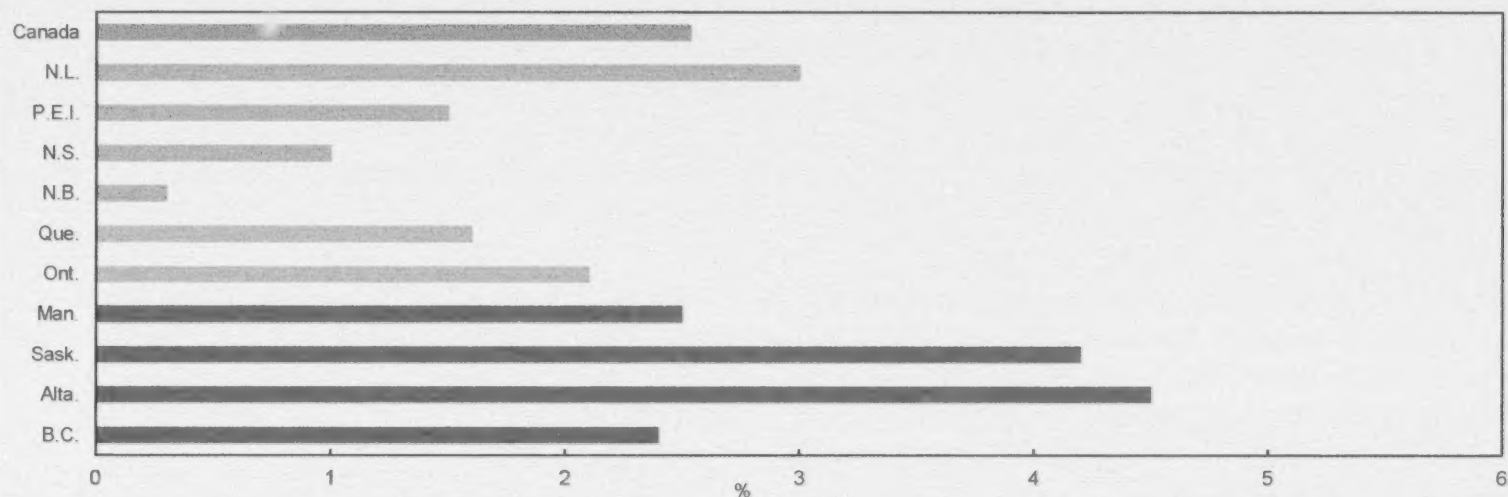
Source: Statistics Canada, CANSIM table 379-0031.



Real GDP growth, by province

Question: How has the economy expanded in different regions of the country?

Average annual growth of real GDP by province, 2010 to 2013



Sources: Statistics Canada CANSIM tables 379-0030, 379-0031.

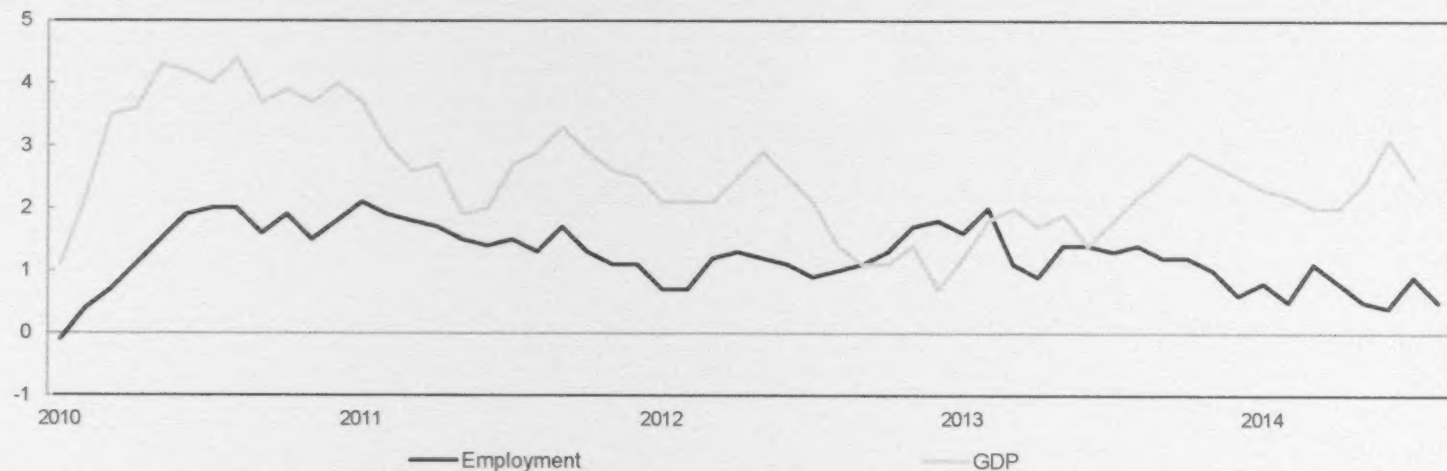


Real GDP and employment

Question: How does employment growth compare with economic growth in the post-recession period?

GDP and employment

year-over-year percent change



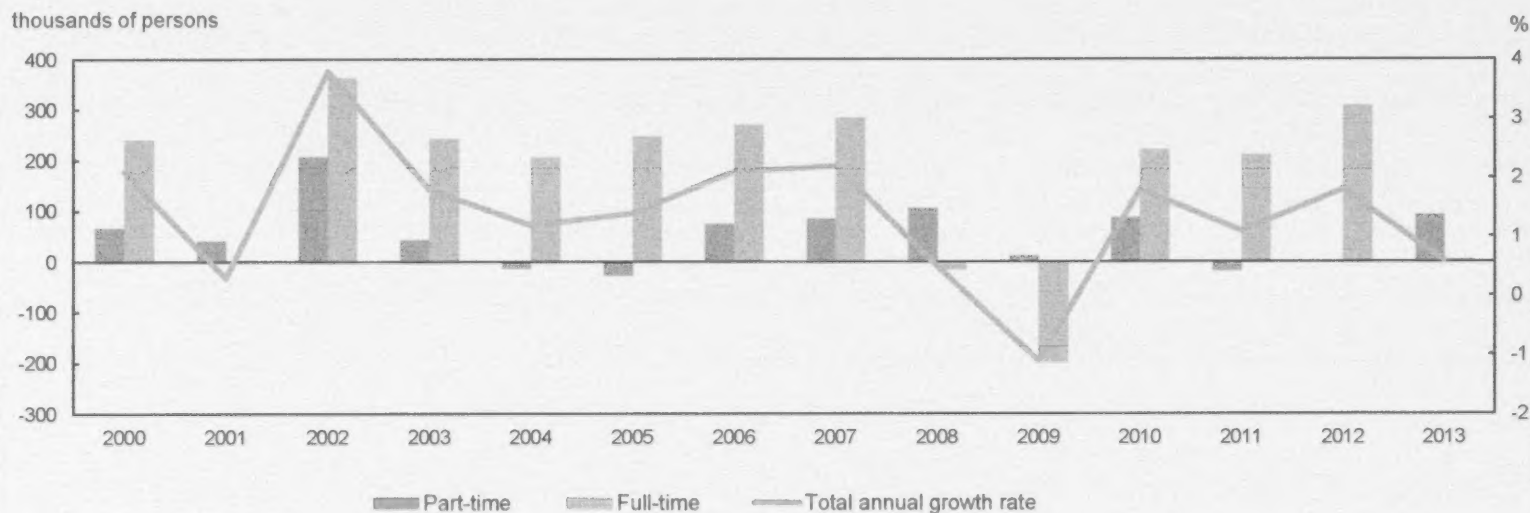
Sources: Statistics Canada, CANSIM tables 282-0087, 379-0031.

Net employment growth

Question: How does the composition of employment growth in recent years compare with employment gains in the early to mid 2000s?

Net employment growth

thousands of persons



Source: Statistics Canada, CANSIM table 282-0087.



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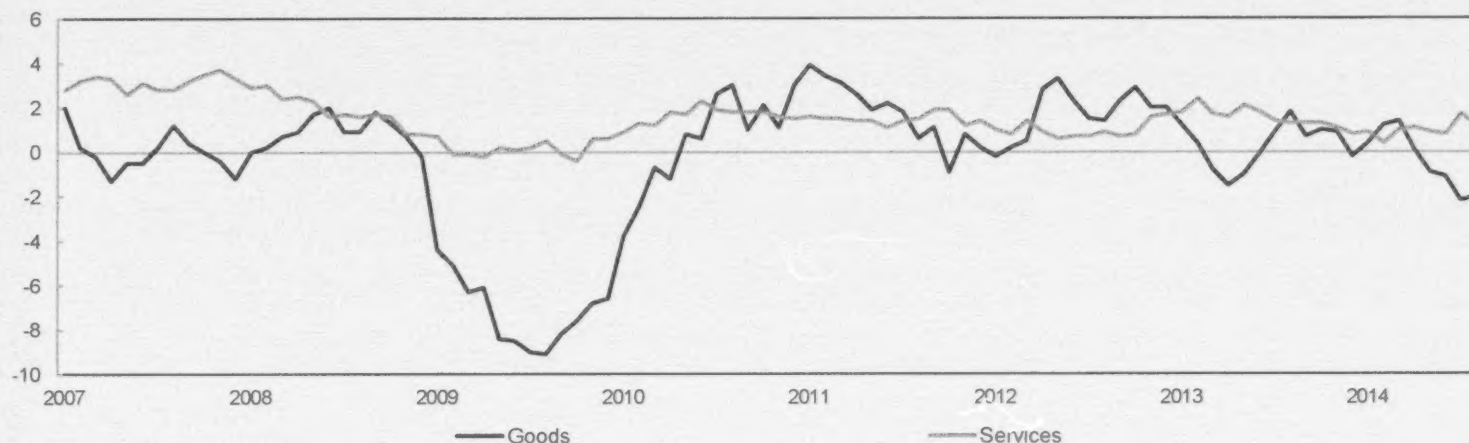
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Net employment growth

Question: How does employment growth in goods industries compare to service industries?

Employment in goods and services

year-over-year percent change



Source: Statistics Canada, CANSIM table 282-0088.



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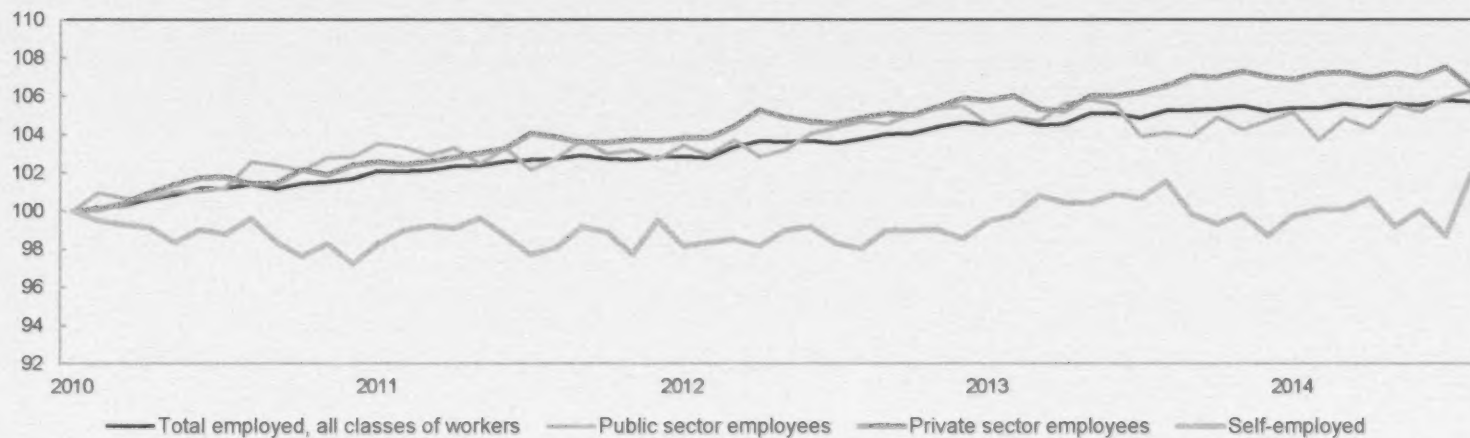
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Net employment growth

Question: To what extent has the pace of private sector job creation slowed during 2014?

Employment growth, class of worker

index (January 2010=100)



Source: Statistics Canada, CANSIM table 282-0089.

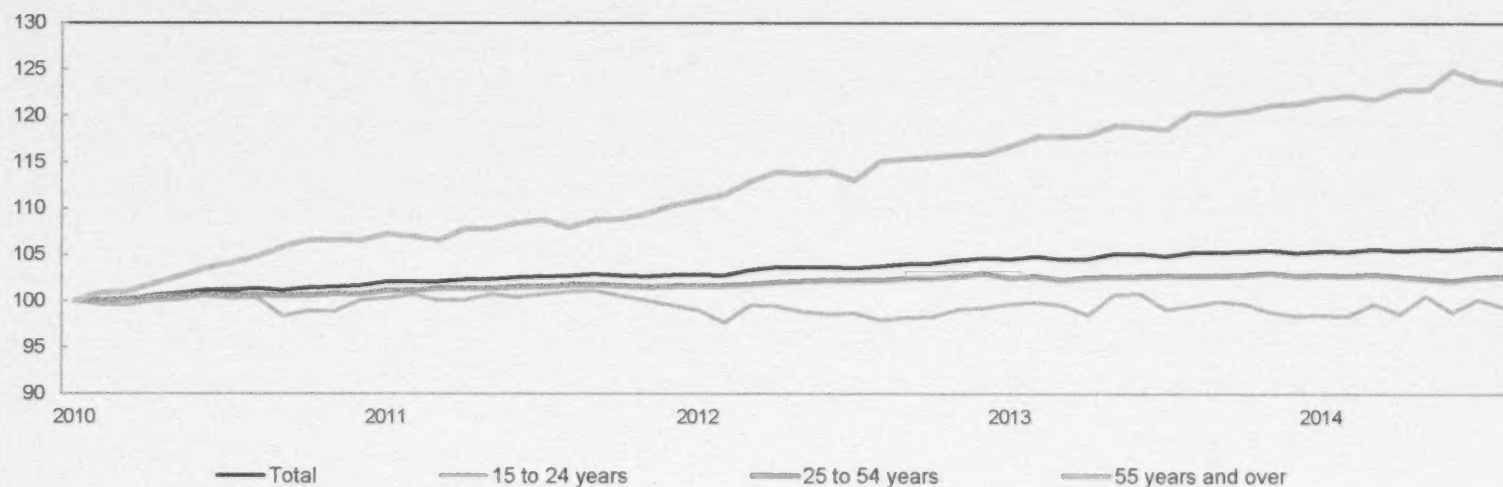


Net employment growth

Question: To what extent has employment growth slowed among core-age workers?

Employment growth, age of worker

index (January 2010=100)



Source: Statistics Canada, CANSIM table 282-0087.



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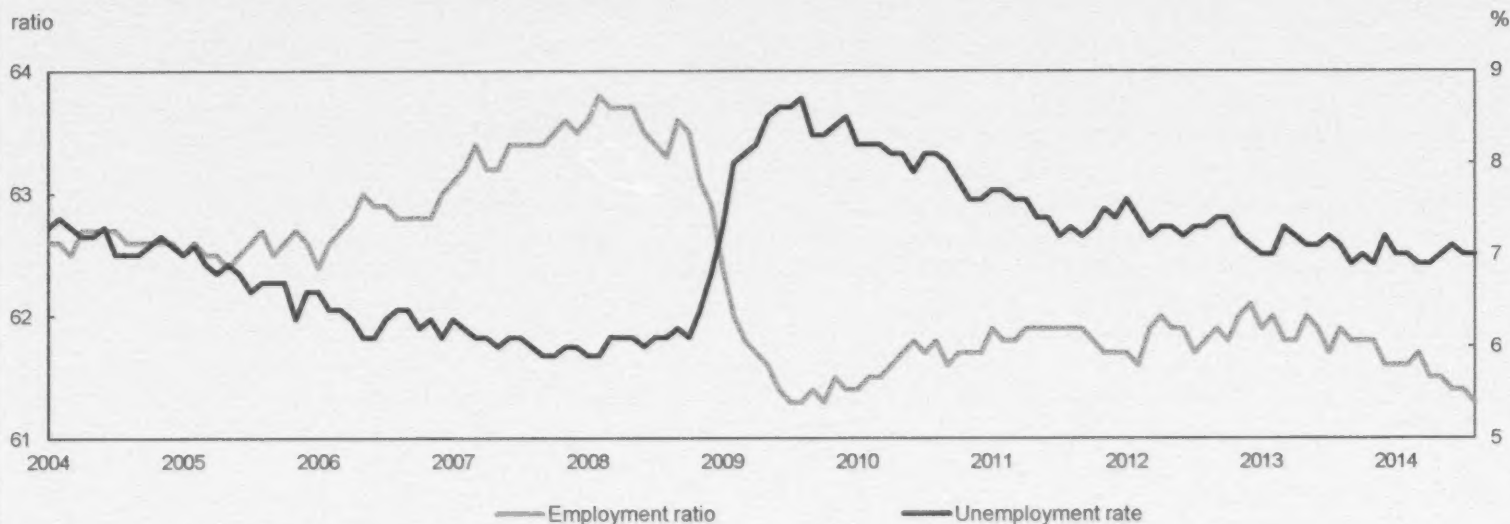
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Labour market conditions

Question: How have Canada's employment rate and unemployment rate adjusted in the post-recession period?

Employment and unemployment rates

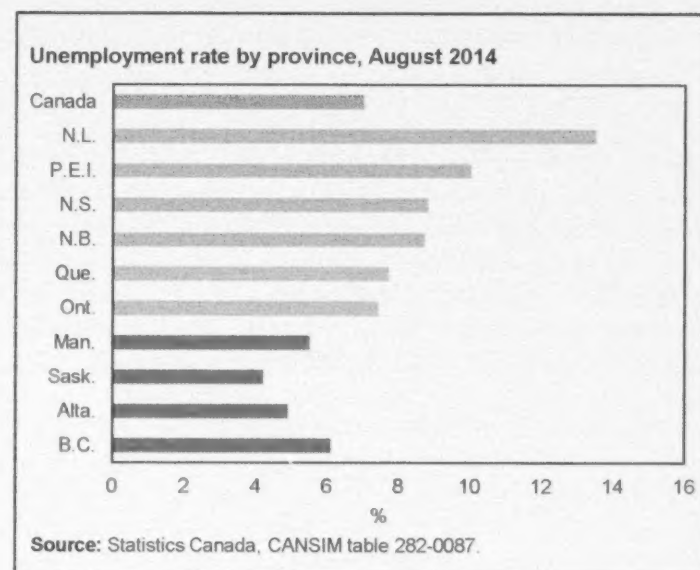
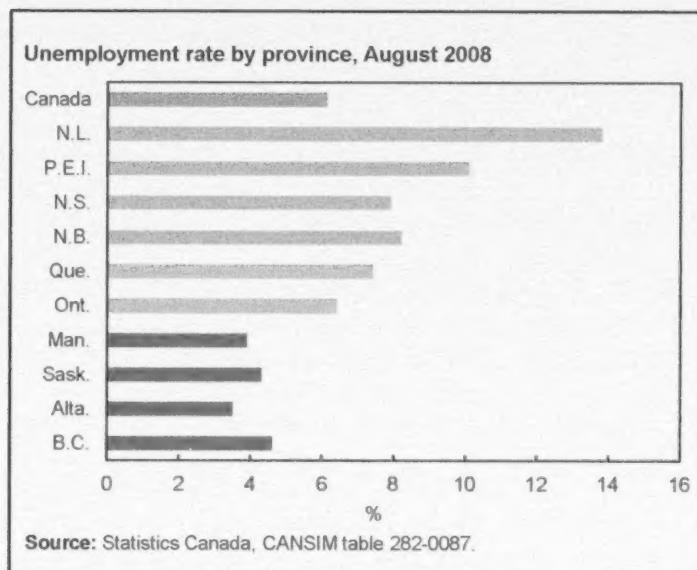


Source: Statistics Canada CANSIM table 282-0087.



Unemployment rate by province

Question: How does unemployment vary across Canada?





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Topic 2

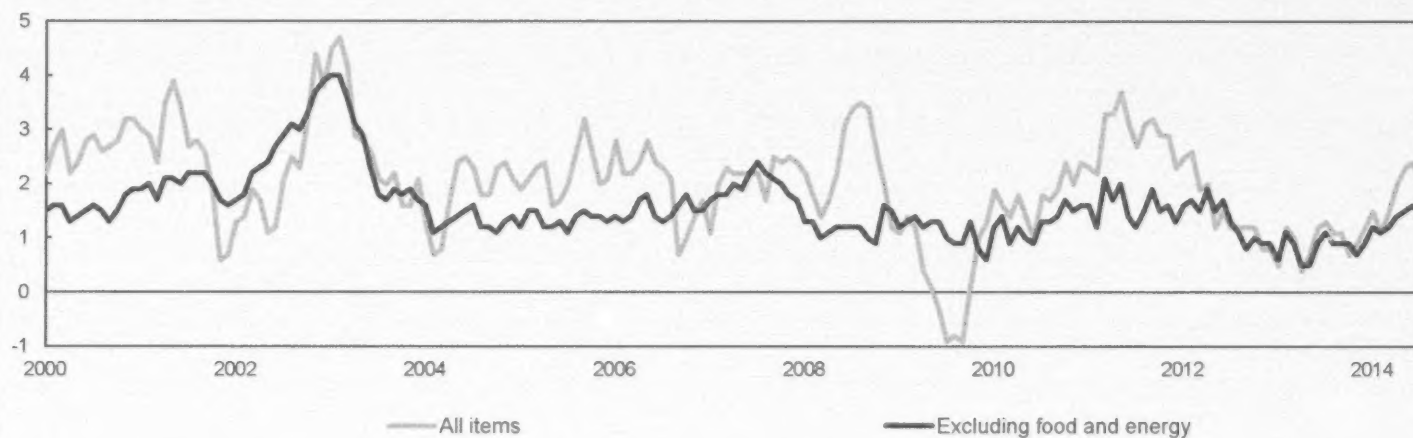
Financial conditions in the household sector

Inflation in the Canadian economy

Question: How much inflationary pressure is there in the Canadian economy?

Consumer price index

year-over-year percent change



Source: Statistics Canada, CANSIM table 326-0020.



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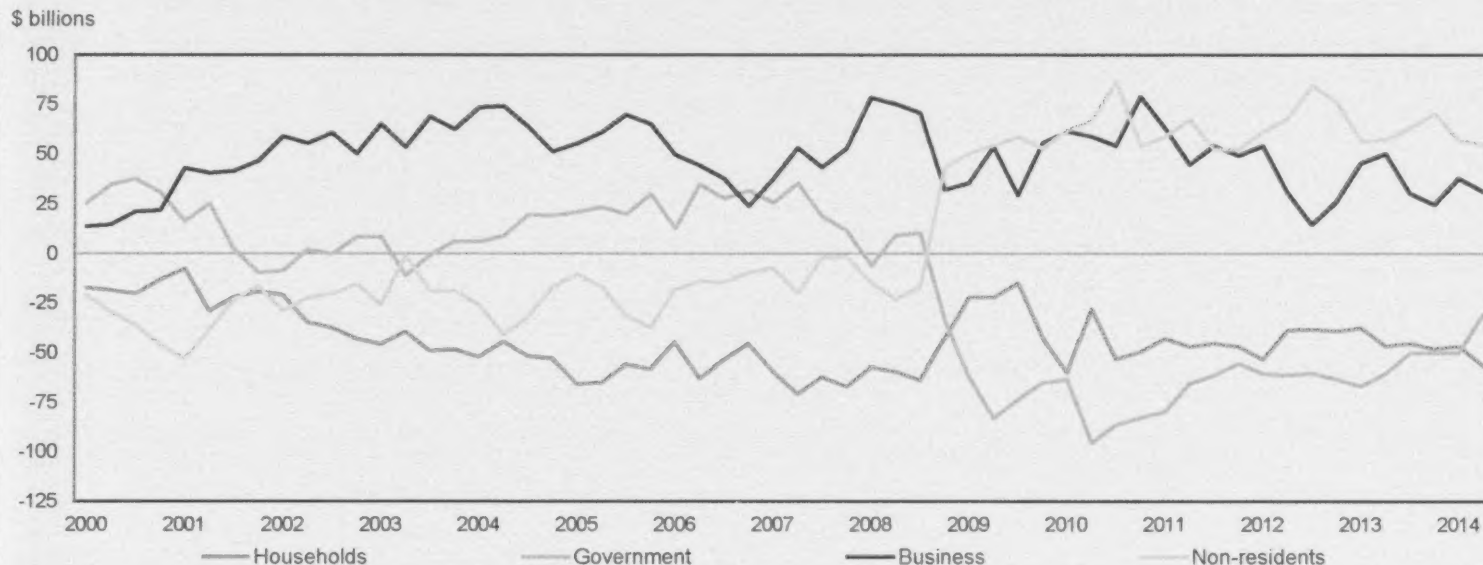
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Lending and borrowing in the Canadian economy

Question: How have the net lending and borrowing positions of different sectors of the economy changed in the post-recession period?

Net lending by sector



Sources: Statistics Canada, CANSIM tables 380-0072, 380-0079, 380-0076, 380-0082.



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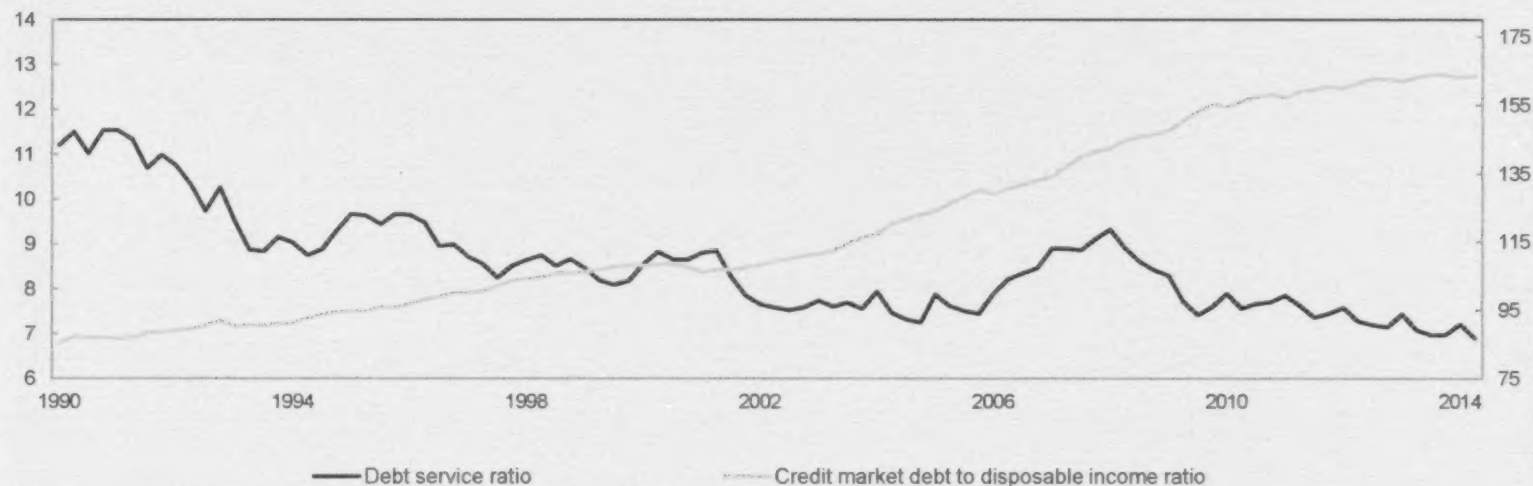
Household sector leverage and debt service costs

Question: How much debt are consumers carrying as a proportion of their disposable income? How has the pace of leveraging changed in the post-recession period?

Household leverage and debt service ratios

Debt service (%)

Leverage (%)



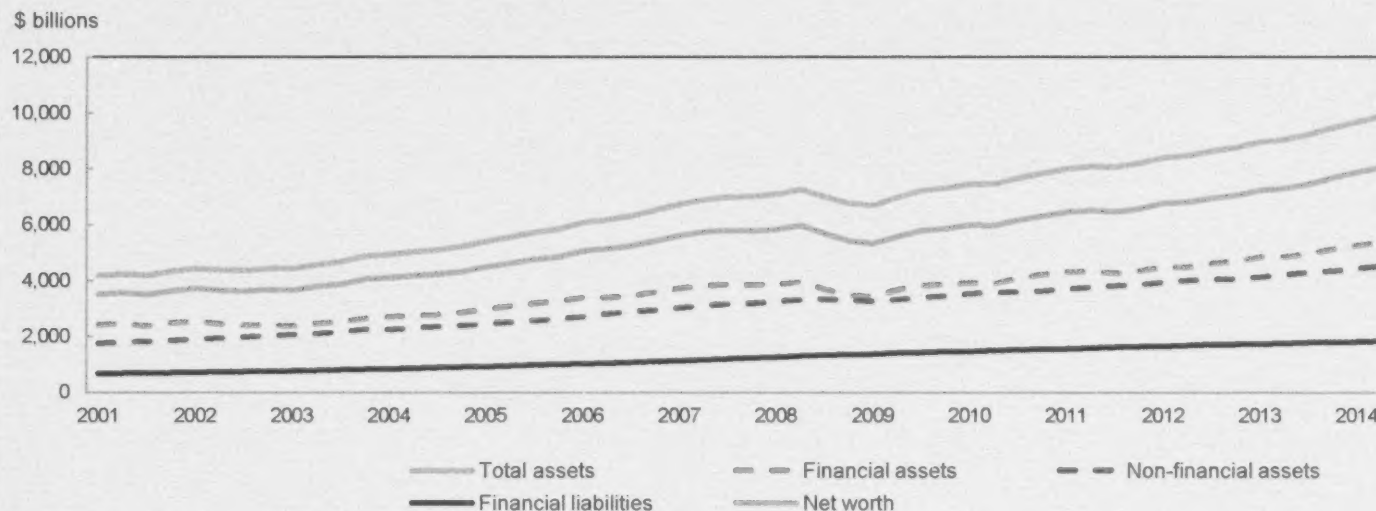
Sources: Statistics Canada, CANSIM tables 378-0123, 380-0073.



Household sector assets and liabilities

Question: How has the net worth of households changed subsequent to the 2008-09 recession?

Household assets and liabilities, market value



Source: Statistics Canada, CANSIM table 378-0121.

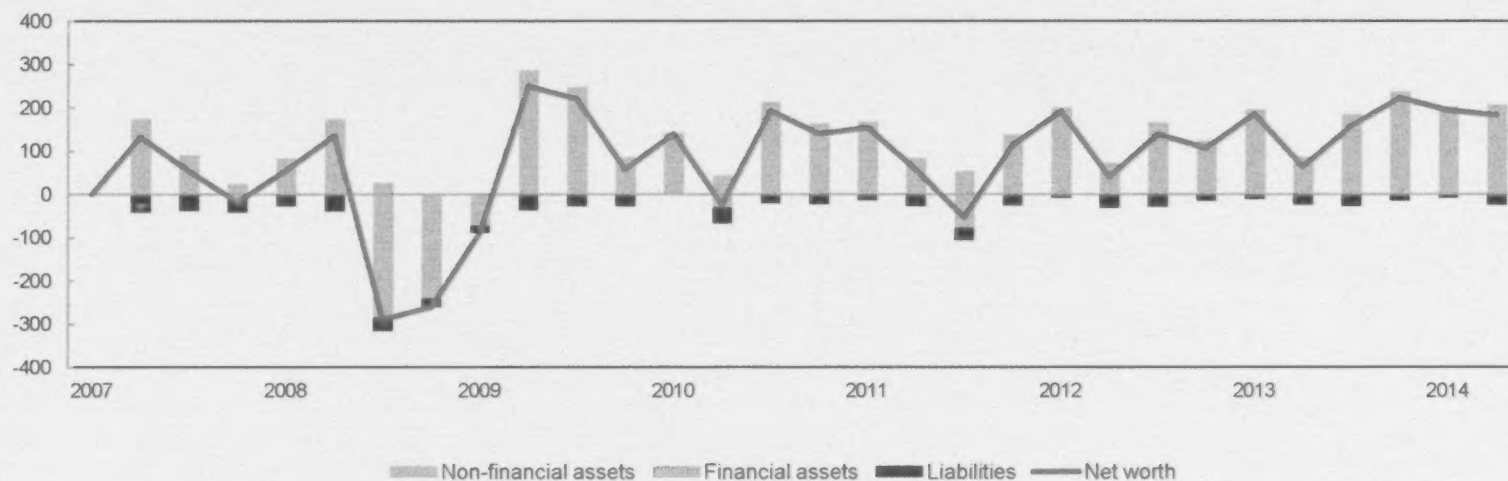


Household sector worth

Question: How have financial and non-financial assets contributed to the increase in net worth after the recession?

Household sector net worth changes, by component

\$ billions



Source: Statistics Canada, CANSIM table 378-0121.



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Topic 3

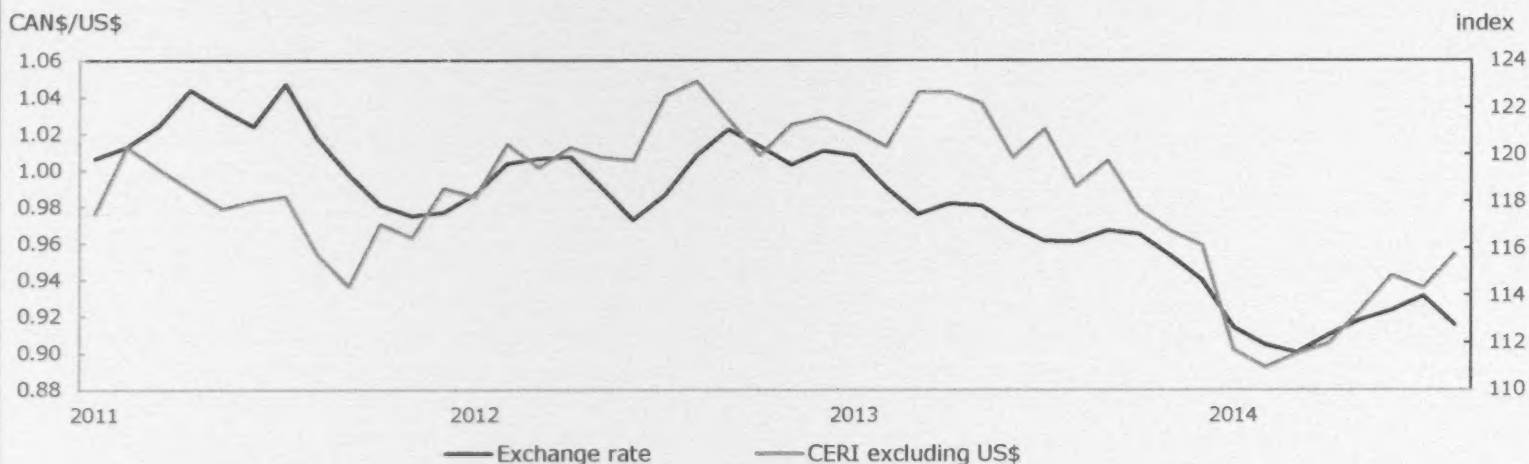
International dimensions of Canada's economy



Canada's exchange rate

Question: How has Canada's exchange rate changed in recent years?

Exchange rate



Note: CERI: Canadian dollar effective exchange rate index.

Source: Statistics Canada, CANSIM table 176-0064, and Bank of Canada, CERI.

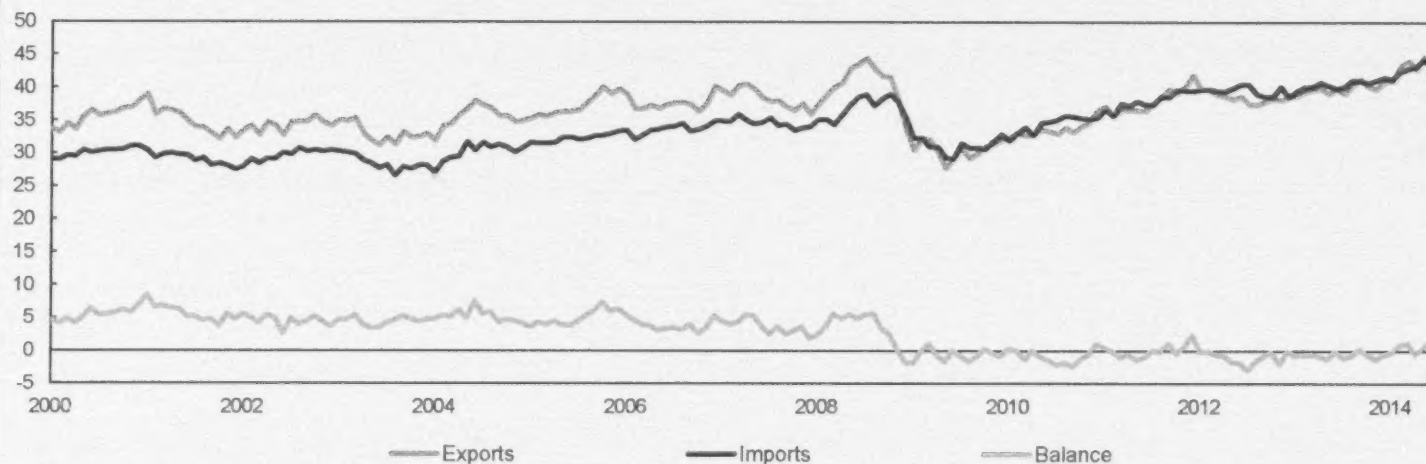


Canada's merchandise trade

Question: How have exports, imports, and the balance of trade changed in the post-recession period?

Merchandise trade

\$ billions



Source: Statistics Canada, CANSIM table 228-0059.



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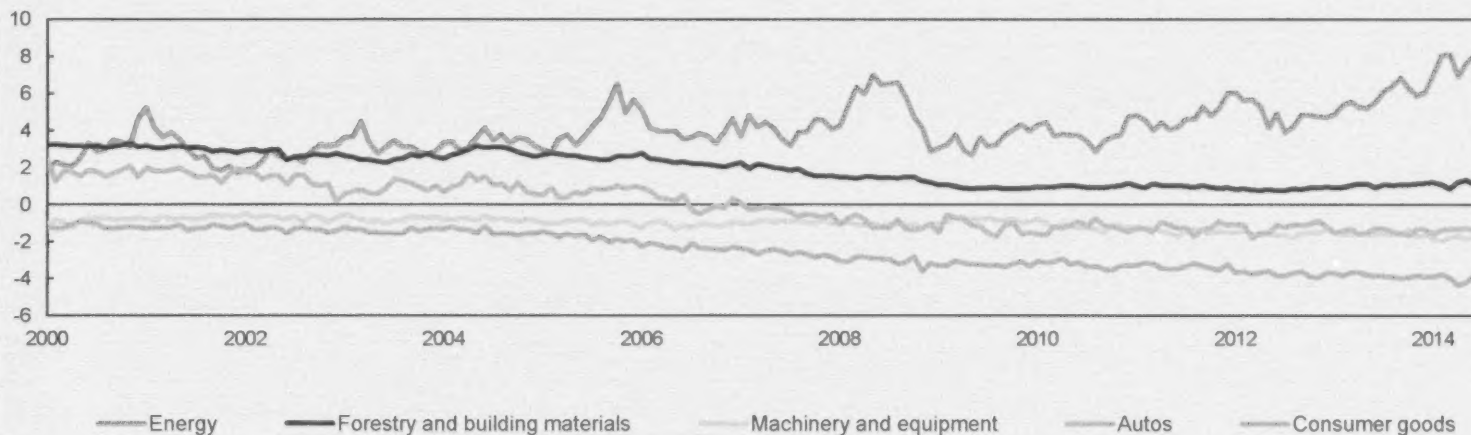
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Commodity trade balances, major sectors

Question: What accounts for the decline in Canada's trade surplus?

Merchandise trade balances

\$ billions



Source: Statistics Canada, CANSIM table 228-0059.

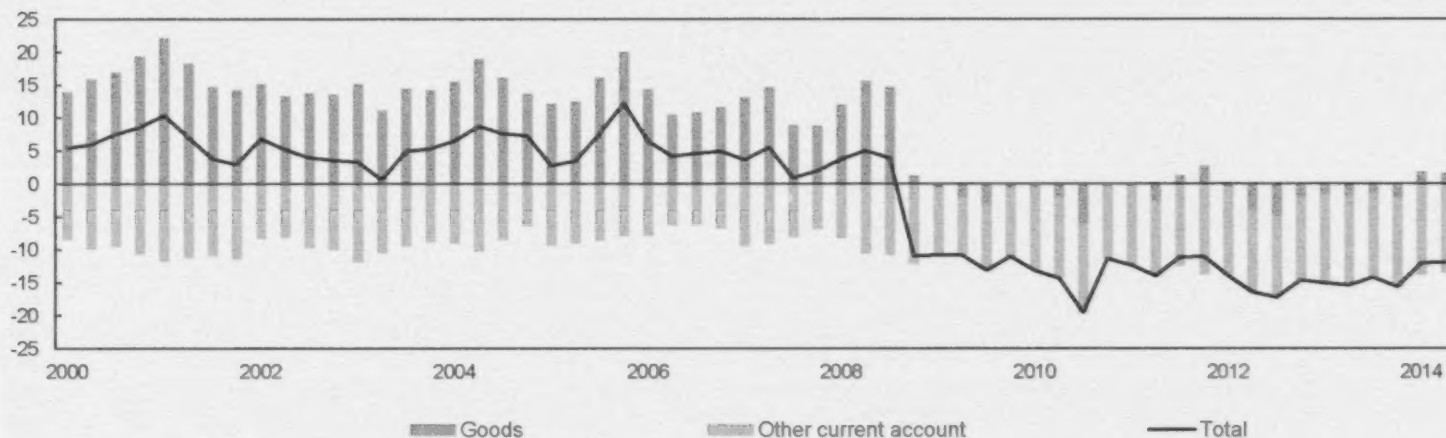


Canada's current account

Question: How have recent changes in the merchandise trade balance affected Canada's current account balance?

Current account

\$ billions



Source: Statistics Canada, CANSIM table 376-0105.



Key developments

- (1) More broad-based economic growth during recent months reflecting increases in:
 - ☐ Household spending, residential investment and non-energy trade
 - ☐ Steady gains across many goods and services industries
- (2) The gap between economic and employment growth has widened
 - ☐ Little job creation among core-age and private sector workers
 - ☐ Declining employment rate during the first half of 2014
- (3) Household net worth continued to expand on strength in equities and real estate markets, as leverage rates remain stable and borrowing conditions remain favourable
- (4) Higher annual inflation during the spring moderates through the summer